

CelcomDigi (CDB MK)

3Q25: Below Expectations; Margin Compression To Persist

Highlights

- CelcomDigi reported a 3Q25 core net profit of RM400m (-7% qoq; -8% yoy), excluding a one-off bad debt provision expense and device rebate reversal. This brings 9M25 core net profit to RM1,262m, accounting for 70% and 73% of our and consensus full-year estimates respectively. We deem the results below expectations.
- We cut our 2025-27 earnings estimates by 3-6% on the back of higher depreciation charges, bad debt charges and higher tax.
- Maintain BUY with a lower DCF-based target price of RM4.20.

3Q25 Results

Year to 31 Dec (RMm)	3Q25	qoq % chg	yoy% chg	9M25	yoy % chg
Revenues	3,124.8	(1.7)	(0.1)	9,512.6	1.2
Reported EBITDA	1,424.0	3.6	(5.6)	4,147.0	(2.5)
EBITDA Margin (%)	42.9	(0.7)	(5.4)	43.6	(1.6)
Pre-tax profits	502.5	(15.9)	(17.2)	1,652.9	6.4
Net profit	341.2	(22.3)	(21.9)	1,167.9	(4.2)
Core Net profit	400.3	(7.4)	(8.3)	1,262.1	(4.6)
EPS (sen)	2.9	(22.3)	(21.9)	10.0	(4.2)
DPS (sen)	3.6	(5.3)	0.0	11.1	4.7
Subscribers ('000)	20,493	(0.6)	(0.0)		
Blended ARPUs (RM/mth)	41	0.0	0.0		
Cost Structure (% of revenue)	3Q24	4Q24	1Q25	2Q25	3Q25
Direct expenses	23.1%	24.9%	26.6%	25.5%	26.1%
S&M	5.2%	5.0%	5.3%	5.4%	5.0%
Staff cost	6.6%	4.1%	7.7%	5.5%	6.0%
Bad debts	1.4%	1.9%	1.0%	3.2%	3.2%
G&A, others	15.6%	16.9%	17.3%	16.8%	16.8%

Source: CelcomDigi, UOB Kay Hian

Analysis

- 3Q25 core net profit below expectations.** CelcomDigi's 3Q25 core net profit came in at RM400m (-7% qoq; -8% yoy). This brings 9M25 core net profit to RM1,262m (-5% yoy). Core earnings primarily excluded: a) a one-off accounting adjustment relating to an additional RM44m bad debt provision, and b) a RM20m device rebate reversal due to earlier double booking. Accounting for 70% and 73% of our and consensus full-year estimates respectively, we deem the results below our expectations.
- Dividends in line.** The group declared its third interim net DPS of 3.6 sen (124% payout), bringing ytd dividends to 11.1 sen/share. We project 2025-26 net DPS of 14.8 sen and 17.6 sen respectively. This is based on 100% dividend payout and translates to a net dividend yield of 4.1% and 4.9% for 2025-26 respectively.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	12,682	12,679	12,195	12,228	12,320
EBITDA	6,222	6,159	5,662	5,800	6,213
Operating profit	2,757	2,648	2,924	3,243	3,523
Net profit (rep./act.)	1,551	1,390	1,744	2,065	2,273
Net profit (adj.)	1,552	1,749	1,744	2,065	2,273
EPS	13.2	14.9	14.9	17.6	19.4
PE	27.3	24.2	24.3	20.5	18.6
P/B	2.6	2.6	2.6	2.6	2.6
EV/EBITDA	8.8	9.0	9.7	9.4	8.6
Dividend yield	3.7	4.0	4.1	4.9	5.4
Net margin	12.2	11.0	14.3	16.9	18.4
Net debt/(cash) to equity	76.6	79.1	78.5	75.2	70.0
Interest cover	3.8	4.3	4.1	4.4	4.6
ROE	9.4	10.8	10.8	12.7	14.0
Consensus net profit	-	-	1,847	2,040	2,204
UOBKH/Consensus (x)	-	-	0.94	1.01	1.03

Source: CelcomDigi, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM3.61
Target Price	RM4.20
Upside	+16.3%
Previous TP	RM4.30

Analyst(s)

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Stock Data

GICS Sector	Communication Services
Bloomberg ticker	CDB MK
Shares issued (m)	11,731.5
Market cap (\$m)	42,350.7
Market cap (US\$m)	10,205.7
3-mth avg daily t'over (US\$m)	2.6

Price Performance (%)

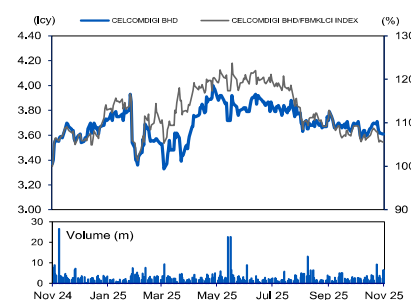
52-week high/low			RM4.00/RM3.30	
1mth	3mth	6mth	1yr	YTD
(2.2)	(4.2)	(9.1)	8.4	(0.3)

Major Shareholders

	%
Telenor ASA	33.1
Axiata Group Bhd	33.1
Employees Provident Fund	10.9

FY25F NAV/Share (RM)	1.38
FY25F Net Debt/Share (RM)	1.08

Price Chart



Source: Bloomberg

Company Description

Mobile operator in Malaysia, providing 4G and 5G services.

- 2025: Elevated effective tax rate and bad debt provision.** The group has guided for an increase in bad debt provision rate to 3.5% (historical run rate: 3.0%), citing inherent weakness in its debt collection process. This led to a RM44m bad debt provision expense being recorded in 3Q25 to reflect its ageing receivables and rectify previous accounting misstatements. CelcomDigi is expected to incur a higher effective tax rate of around 28% in 2025 (2024: 20%) due to elevated non-allowable expenses incurred, arising from purchase price adjustments and losses from subsidiaries. The higher-than-anticipated expenses have prompted us to revise our earnings forecast.
- Consumer postpaid revenue rose 5% yoy to RM1,091m (+1% qoq),** driven by net adds (+300,000 yoy; +64,000 qoq in 3Q25) from a growing high-value segment base and healthy migration to convergence plans. ARPU remained stable at RM60/month (2Q25: RM60/month, 3Q24: RM60/month), primarily underpinned by family plan penetration.
- Consumer prepaid continued to drop 4% yoy but remained flat qoq at RM1,051m,** owing to its steady ARPU of RM28/month (2Q25: RM28/month). Revenue contributions and ARPU remain resilient, underpinned by expanding adoption of high-value plans and quality subscriber retention, despite a further drop in net adds to 12,347 subscribers (-492,000 yoy; -221,000 qoq), reflecting the ongoing internal system optimisation process.
- Home and fibre base expansion persisted.** The home and fibre division boasted net adds of 101,000 yoy and 24,000 qoq, which translated to a revenue base of RM69m (41% yoy, 13% qoq). ARPU moderated further to RM93/month in 3Q25 (2Q25: RM94/month, 3Q24: RM109/month) on the back of continued CelcomDigi One convergence plans adoption and fixed wireless access (FWA) expansion focus to acquire new customers and encourage convergence plan take-up.

Valuation/Recommendation

- Maintain BUY with a lower DCF-based target price of RM4.20 (previously RM4.30).** At our fair value, the stock trades at +1SD 2025F EV/EBITDA of 10.9x. CelcomDigi remains on track to achieve its synergistic target of RM700m-800m in annual cost savings beyond 2027.

Earnings Revision/Risk

- We cut our 2025-27 earnings estimates by 3-6%, on the back of heightened effective tax rate and bad debt provisions in 2025, followed by higher depreciation arising from elevated capex after 2025.

Environmental, Social, Governance (ESG)

Environmental

- Develop a Net Zero 2050 roadmap and set targets aligned with the SBTi by 2025.
- Migration to cloud-based data centres with lower carbon emissions as compared with traditional data centres.
- Optimise energy use of networks by adopting energy efficient hardware and best practices by retiring legacy networks.

Social

- Implemented various social impact programmes (digital inclusion, digital entrepreneurship, and digital skills) and humanitarian efforts.
- Supported the government in delivering JENDELA commitments and reaching out to underserved communities through NaDi internet centres.

Governance

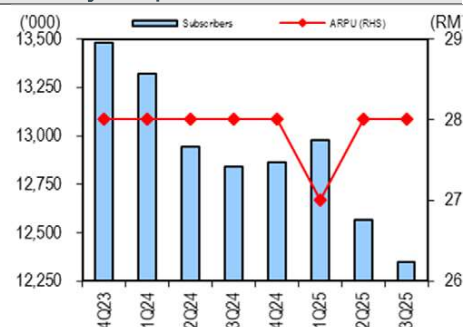
- 100% training completion in cybersecurity, safety, compliance and ethics in 2024.
- Achieved 37% of women composition in leadership roles in 2024 with a goal of reaching 40% by 2028.

Performance Guidance For 2025

2025 guidance	
Service Revenue	Low single-digit growth.
EBIT	Low to mid-single digit growth.
Capex intensity	Around 14-16% of total revenue, focusing on enhancing IT platforms as part of integration cost.

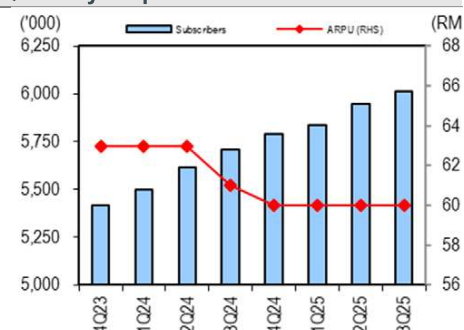
Source: CelcomDigi, UOB Kay Hian

Quarterly Postpaid ARPU And Subs



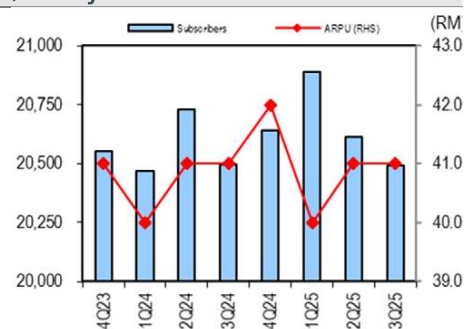
Source: CelcomDigi, UOB Kay Hian

Quarterly Prepaid ARPU And Subs



Source: CelcomDigi, UOB Kay Hian

Quarterly Blended ARPU And Total Subs



Source: CelcomDigi, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	12,679.5	12,195.1	12,228.1	12,319.8
EBITDA	6,158.8	5,662.1	5,799.7	6,212.8
Deprec. & amort.	3,151.0	2,737.7	2,556.8	2,690.2
EBIT	2,648.5	2,924.5	3,242.9	3,522.7
Total other non-operating income	(900.2)	(485.6)	(510.2)	(516.3)
Net interest income/(expense)	1,748.3	2,438.8	2,732.7	3,006.3
Pre-tax profit	(346.4)	(682.9)	(655.8)	(721.5)
Tax	(12.2)	(12.2)	(12.2)	(12.2)
Net profit	1,389.7	1,743.8	2,064.6	2,272.6
Net profit (adj.)	1,749.0	1,743.8	2,064.6	2,272.6

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	6,594.3	5,685.9	4,963.3	4,251.5
Other LT assets	25,619.4	25,619.4	25,619.4	25,619.4
Cash/ST investment	237.3	837.5	1,878.3	3,209.4
Other current assets	3,624.2	4,324.8	4,334.1	4,360.0
Total assets	36,075.2	36,467.6	36,795.1	37,440.3
ST debt	1,860.3	1,360.3	860.3	360.3
Other current liabilities	5,168.8	5,079.3	4,890.9	4,519.8
LT debt	11,189.2	12,189.2	13,189.2	14,189.2
Other LT liabilities	1,668.0	1,646.7	1,658.9	2,171.0
Shareholders' equity	16,188.9	16,192.1	16,195.9	16,200.0
Minority Interest	114.3	114.3	114.3	114.3
Total liabilities & equity	36,075.2	36,467.6	36,795.1	37,440.3

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	4,219.2	4,189.1	4,946.1	5,094.3
Pre-tax profit	1,748.3	2,438.8	2,732.7	3,006.3
Tax	(346.4)	(682.9)	(655.8)	(721.5)
Deprec. & amort.	3,151.0	2,737.7	2,556.8	2,690.2
Associates	316.0	-	-	-
Working capital changes	674.8	(790.1)	(197.7)	(397.0)
Other operating cashflows	(1,324.5)	485.6	510.2	516.3
Investing	(2,245.4)	(1,716.4)	(1,723.5)	(1,351.2)
Capex (maintenance)	(2,372.0)	(1,829.3)	(1,834.2)	(1,478.4)
Proceeds from sale of assets	-	-	-	-
Others	126.6	112.8	110.7	127.2
Financing	(2,167.1)	(1,839.1)	(2,181.9)	(2,412.0)
Distribution to unitholders	(1,654.1)	(1,740.6)	(2,060.9)	(2,268.5)
Issue of shares	-	-	-	-
Proceeds from borrowings	88.8	500.0	500.0	500.0
Others/interest paid	(601.7)	(598.5)	(621.0)	(643.5)
Net cash inflow (outflow)	(193.3)	633.6	1,040.8	1,331.1
Beginning cash & cash equivalent	397.0	203.9	837.5	1,878.3
Changes due to forex impact	0.1	-	-	-
Ending cash & cash equivalent	203.9	837.5	1,878.3	3,209.4

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	48.6	46.4	47.4	50.4
Pre-tax margin	13.8	20.0	22.3	24.4
Net margin	13.8	14.3	16.9	18.4
ROA	4.8	4.8	5.6	6.1
ROE	10.8	10.8	12.7	14.0
Growth				
Turnover	(0.0)	(3.8)	0.3	0.8
EBITDA	(1.0)	(8.1)	2.4	7.1
Pre-tax profit	(19.8)	39.5	12.0	10.0
Net profit	(10.4)	25.5	18.4	10.1
Net profit (adj.)	12.7	(0.3)	18.4	10.1
EPS	12.7	(0.3)	18.4	10.1
Leverage				
Debt to total capital	44.9	45.1	45.3	44.7
Debt to equity	80.6	83.7	86.7	89.8
Net debt/(cash) to equity	79.1	78.5	75.2	70.0
Interest cover (x)	4.3	4.1	4.4	4.6

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